



CMA

CMA STUDENTS'
E-BULLETIN
INTERMEDIATE

VOL: 2 NO: 5

MAY, 2017 ISSUE
(Syllabus 2016)

www.icmai.in

FOLLOW US ON



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

Headquarters: CMA Bhawan, 12 Sudder Street, Kolkata - 700 016

Phone: +91-33-2252-1031/34/35/1602/1492/1619/7373/7143

Delhi office: CMA Bhawan, 3 Institutional Area, Lodhi Road, New Delhi - 110 003

Phone: +91-11-2462-2156/2157/2158

Behind every successful business decision, there is always a CMA

Message from the President

Dear Students,
Greetings,

“There is no end to education. It is not that you read a book, pass an examination, and finish with education. The whole of life, from the moment you are born to the moment you die, is a process of learning”- Jiddu Krishnamurti

June term of examination is approaching. I am sure that all of you are very busy now as you are gearing up to appear for and to deliver your best in the examination. To prepare yourself you need the guidance in the righteous direction and through these E-bulletins all the eminent teachers are putting their tips and guiding you how to read the subjects properly and deliver professionally. I must pay my sincere thanks to all the contributors of this e-bulletin, who despite their busy schedules, have given their suggestions to make you successful. I believe that teachers who love teaching teach children to love learning.

A man without education is like a building without foundation. I am delighted to know that you have enjoyed reading the previous E-bulletin and reciprocated favorably. I firmly believe that Intelligence plus character – is the goal of true education. In this connection I want to refer a great saying by our Noble Laureate Rabindranath Tagore that *“The highest education is that which does not merely give us information but makes our life in harmony with all existence”*.

I am happy to note that Directorate of Studies is reciprocating to meet up your demands and their team is working for your development and success. Your performance will make all of us happy if you come out with flying colours and be a nation building partner.

I want to put an end by quoting Malcolm Forbes that *“Education's purpose is to replace an empty mind with an open one”*.

Be dedicated, determined and disciplined; success is yours.

CMA Manas Kumar Thakur
President
The Institute of Cost Accountants of India

Be a CMA, be a Proud Indian



Message from the Chairman



*"A good education is the greatest gift you can give yourself and anyone else"-
Mahtab Narshimhan*

Dear Students,

I know that the hard work you have done for your examination which is approaching soon. That's very important in your life. The belief, work, efforts you have done to get the success will definitely complete.

All of you should begin to develop a degree of individual responsibility or autonomy in your study as well as possess the ability to collaborate with other available resources; for example availing the support services offered by the Directorate of Studies. In my message in the April issue, I had asked you to follow the Mock Test Papers (MTP) and practice in line of it. Hope, you have following that meticulously and preparing yourself for the successful attempt of your examination. The answers of the questions asked in the MTPs will be uploaded in the mid of May by the Directorate of Studies. Please compare those answers with the already solved problems of yours.

Understanding your qualification is important and the stated guidelines in each subject outline how CMA qualifications fit within the National Qualifications Framework and support professional learning. CMAs should be able to display competence in the application of knowledge in the performance of a range of work activities, some of which may be routine and predictable with some being complex or non-routine.

As desired by the industry and the economy, successful completion of the CMA Course enables students to make an entry to the industry with updated knowledge and requisite skills. We do hope that your learning will help you to take the challenge on your own stride.

My best wishes with you,

**CMA Pappa Rao Sunkara,
Chairman,
Training & Education Facilities (T& EF) Committee**

Contents



Message from the President - i

Message from the Chairman - ii

Knowledge Update - 1

Group : I Paper 5: Financial Accounting (FAC) - 2

Group: I Paper 6: Laws & Ethics (LNE) - 7

Group: I Paper 7: Direct Taxation (DTX) - 10

Group: I Paper 8: - Cost Accounting (CAC)- 15

**Group: II Paper: 9, Part - i: Operations Management
& Strategic Management - Operations Management (OMSM)- 18**

**Group: II Paper: 9, Part - ii: Operations Management
& Strategic Management - Strategic Management (OMSM) - 24**

**Group: II Paper: 10: Cost & Management Accounting
and Financial Management (CMFM) - 26**

Group: II Paper 11: Indirect Taxation (ITX) - 30

Group: II Paper 12: Company Accounts & Audit (CAA) - 33

Clarification for June 2017 term of Examination - 35

Submissions - 37

Practical advice - 38

Examination Time Table - 39

Message from the Directorate of Studies - 40

Set the Goal - 41



KNOWLEDGE UPDATE



In this section of e-bulletin we shall have a series of discussion on each of these chapters to provide a meaningful assistance to the students in preparing themselves for the examination at the short end and equip them with sufficient knowledge to deal with real life complications at the long end.

Behind every successful business decision, there is always a CMA

Group - I

PAPER: 5

FINANCIAL ACCOUNTING (FAC)

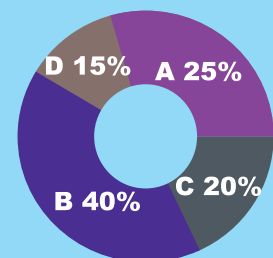
CMA (Dr.) Nibir Goswami
Associate Professor in Commerce
Vidyasagar Mahavidyalaya, W.B.
He can be reached at:
drnibirgoswami@gmail.com



Your Preparation Quick Takes

Syllabus Structure

- A Accounting Basics 25%
- B Preparation of Financial Statements 40%
- C Self Balancing Ledger, Royalties, Hire Purchase & Installment System, Branch & Departmental Accounts 20%
- D Accounting in Computerised Environment and Accounting Standards 15%



Behind every successful business decision, there is always a CMA

Learning Objective:

- Students will demonstrate their knowledge of the fundamental and technical concepts of accounting.
- Students will reveal critical-thinking and problem-solving skills.
- Students will exhibit the ability to recognize when change is appropriate, to adapt to change as it occurs, and to take the lead in creating change.
- Students will display a sense of responsibility and a capacity for the subject after learning

Branch Accounts

In this issue we will discuss about branch accounts. To spread the business and to provide doorstep service to the customers an organization tries to open up branches in various localities. All such branch offices perform similar functions as to the head office and are controlled by the head office. Therefore branch is nothing but a profit centre. For example Bata shoe. Normally the accounting is made in the books of the head office. In a composite or synthetic method all transactions are recorded in the books of head office in a Branch account. The following standard structure of such account may be followed.

Particulars	Amount	Particulars	Amount
To balance b/d:		By balance b/d :	
Stock		Creditors	
Debtors		Outstanding expenses	
Petty cash		By bank:	
Furniture		Cash sales	
Prepaid expenses		Collection from debtors	
To goods sent to branch		By goods sent to branch- returns	
To bank :		By balance c/d:	
Rent rates etc		Stock	
Petty cash (remittance)		Debtors	
To balance c/d :		Petty cash	
Creditors		Furniture	
Outstanding expenses		Prepaid expenses	
To general p/l a/c : branch profit		By general p/l a/c : branch loss	

Important to note that a head office may send goods to its branch at cost or at invoice price. The above schedule is for goods sent at cost. If the goods are sent at invoice price you have to calculate the loading and that should be unloaded as and when necessary. For example goods sent to branch at invoice price will appear in the debit side of the branch account and in the credit side same account will be credited with the loading to cancel out the effect of loading.

ILLUSTRATION :

Relax Ltd supply goods to its New Delhi branch at cost plus 25 %. All sales at branch are daily remitted to the head office, and the later directly pays all the branch expenses. From the following particulars show by debtors system the result of the branch operation for the year ended 31.12.2016

Stock at branch 1.1.2016 at invoice price	3000
Cash paid by HO as rent and rates	600
Goods sent to branch at invoice price	24000
Cash paid by HO for sundry expenses	2000
Remittances from the branch	25000
Returns from the branch invoice price	150
Cash paid by HO for salaries	1900
Stock at branch on 31.12.2016 at invoice price	8000

BRANCH ACCOUNT

DR		CR	
Particulars	Amount	Particulars	Amount
To balance b/d:		By balance b/d :	
Stock	3000	Creditors	
Debtors		Outstanding expenses	
Petty cash		By bank:- remittances	25000
Furniture		By goods sent to branch- loading	4800
Prepaid expenses			
To goods sent to branch	24000	By goods sent to branch- returns	150
To goods sent to branch: load on returns	30	By stock reserve: loading on op stock	600
To bank :			
Salary	1900	By balance c/d:	
Rent rates etc	600	Stock	8000
Sundry expenses	2000	Debtors	
To stock reserve : loading	1600	Petty cash	
		Furniture	
		Prepaid expenses	
To general p/l a/c : branch profit	5420	By general p/l a/c : branch loss	
	38550		38550

In the above example goods are invoiced at cost plus 25 % . Therefore , loading on opening stock credited in branch account is : $3000 \times 25 / 125 = 600$, loading on goods sent to branch is : $24000 \times 25 / 125 = 4800$, loading on goods returned : $150 \times 25 / 125 = 30$, loading on closing stock is : $8000 \times 25 / 125 = 1600$.

STOCK AND DEBTORS METHOD :(ANALYTICAL METHOD)

Under this method as the name suggests transactions are classified under various heads or accounts. The major accounts that are opened under this system are branch stock account keeping records of stock inflows and outflows, branch adjustment account keeping records of loading only, branch debtors account with all debtors related issues , branch expenses account with all branch expenses and so on.

ILLUSTRATION :

LINKEN LTD with a head office in Kolkata sends goods to its Chennai branch at cost plus 25 %. Following particulars are available in respect of branch for the year ended 31st March 2016:

Opening stock at branch at cost to branch	400000
Goods sent to branch at invoice price	6000000
Loss in transit at invoice price	75000
Pilferage at invoice price	30000
Sales	6095000
Expenses	300000
Closing stock at branch at cost to branch	200000
Recovered from insurance co	50000

You are required to prepare :

1. Branch stock account
2. Branch adjustment account
3. Branch profit and loss account in the books of linken ltd.

[JUNE 2016]

BRANCH STOCK ACCOUNT

To balance b/d	400000	By loss in transit	75000
To goods sent to branch	6000000	By pilferage	30000
		By branch debtors - sales	6095000
		By balance c/d	200000
	6400000		6400000

In the above account inflow of stock is recorded in the debit side and outflow of stock in the credit side. All figures are recorded at invoice price.

BRANCH ADJUSTMENT ACCOUNT

To loss in transit	15000	By stock reserve	80000
To pilferage	6000	By goods sent to branch	1200000
To stock reserve	40000		
To gross profit	1219000		
	1280000		1280000

In the above account all loadings are recorded. In the credit side loading in opening stock and goods sent to branch are recorded. $(400000 \times 25/125)$ and $(6000000 \times 25/125)$. Similarly in the debit side loading of all items as credited in stock account are recorded. The balance of this account is the gross profit transferred to branch profit and loss account.

BRANCH PROFIT AND LOSS ACCOUNT

To expenses	300000	By gross profit	1219000
To pilferage at cost – note 1	24000		
To loss in transit – note 2	10000		
To general p/l a/c	885000		
	1219000		1219000

Note 1. Invoice price of pilferage is Rs. 30000 and loading is $30000 \times 25/125 = 6000$. Therefore cost is = Rs.30000-6000= Rs.24000.

Note 2. Invoice price of goods lost in transit Rs. 75000, Loading included is $75000 \times 25/125 = 15000$. Therefore cost is = Rs.75000-15000 = Rs.60000. However, insurance company paid claim of Rs. 50000. Hence the net loss becomes Rs. 60000-50000 = Rs.10000. Alternatively, a separate account may be opened for goods lost in transit and net outcome from such account could have been transferred to General Profit and Loss account.

GOODS LOST IN TRANSIT ACCOUNT

To branch stock	75000	By insurance claim	50000
		By branch adjustment account - loading	15000
		By general P/L account	10000
	75000		75000

Keep practicing from the past year question papers and refer the books as listed below for more illustrations.

Reference: Financial accounting: Haniff and Mukherjee, Financial accounting: Amitava Basu

With best wishes

Group - I

PAPER: 6

LAWS & ETHICS (LNE)

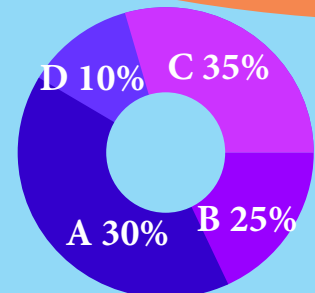
CMA Aditi Dasgupta
Dy. Director, Examination
She can be reached at:
exam.dd1@icmai.in



Your Preparation Quick Takes

Syllabus Structure

- A Commercial Laws 30%
- B Industrial Laws 25%
- C Corporate Law 35%
- D Ethics 10%



Behind every successful business decision, there is always a CMA

Learning Objectives:

Prior to start discussing on the Paper, we need to understand few basic points about the paper. Unlike other papers, this particular may turn to be very interesting and scoring as well, provided you pay attention to the points discussed below:

- Read the Act carefully and try to know the meaning of the contents in it,
- All the Acts are having practical implications in the real life world and it will help you to solve the problems in your real life situations once you join in the industry and / or practicing field,
- Answers should be specific and to the point,
- Please don't try to elaborate your answers adding irrelevant terms and items ; it may penalise you With the Tips given here, please follow the Suggested Answers and Mock Test Papers of the Institute to have a fair idea about writing the paper in the examination.

“Delivery” of Goods under sale of Goods Act,1930

In continuation to our discussion regarding many facets of Sale of Goods Act, this article discusses the plethora of rules regarding 'delivery' of goods. It is the duty of every seller to sell the goods and deliver the same to the buyer as already mutually agreed upon and also it is the buyers' duty to pay for the same in accordance with the terms and conditions of the contract. Section 32 states that unless otherwise agreed, delivery and payment of price are concurrent conditions. i.e. the goods are not required to be delivered by the seller if the buyer is unwilling to pay the price and the buyer is also not required to pay the price unless the seller is ready and willing to deliver the goods.

In addition to the physical delivery of goods to the buyer the law includes that any other act which the parties agree to treat as equivalent to delivery will have the effect of delivery. Hence delivery of goods construes –

- a) Physical delivery – when the goods are physically handed over by the seller to the buyer.
- b) Symbolic delivery – when some symbol, which carries with it the real possession or control of the goods, are transferred e.g. properly endorsed railway receipt or delivery of the key of the warehouse etc.
- c) Constructive delivery – there are 3 situations when delivery will be constructive delivery –
 - When the buyer who is already in possession of the goods as the bailee of the seller and later on after sales holds them as his own goods.
 - When the seller who is in possession of the goods and holds them as the bailee of the buyer after the sale.
 - When a carrier or a warehouse in charge who holds the goods as the bailee of the seller and agrees and acknowledge to hold the same for the buyer.

RULES REGARDING DELIVERY OF GOODS –

- As per Section 32(1) of the Sale of Goods Act, 1930, unless otherwise stated in contrary in the contract of sale of goods, if the goods are delivered to a carrier to send the same to the

buyer then such an act will be termed as delivery to the buyer, which implies that the carrier is deemed to be the agent of the buyer.

- The parties may intend and agree that part delivery of goods would amount to delivery of whole of the goods. But where the part of the goods is distinguished or severed from the whole then part delivery of goods would not amount to delivery of the whole goods.

- As per section 35 the buyer is required to apply for delivery. When the seller gives notice for arrival of goods, it is the buyers' duty to apply for the delivery of the goods. It is to be borne in mind that when the goods are to be acquired by the seller, he is required to notify the buyer about the same and it is the duty of the buyer to apply for the delivery of the goods.

- The goods sold are required to be delivered at a place at which the goods were at the time of sale and in case of future goods the delivery would be at their place of manufacture or production. Please note that though the conditions as to how the delivery will take place depends upon the terms of the sale agreement yet the mentioned place of delivery does hold good.

- The seller is bound to deliver the goods at the time fixed and agreed upon by both the parties. But in absence of such, the seller is bound to send them within a reasonable time.

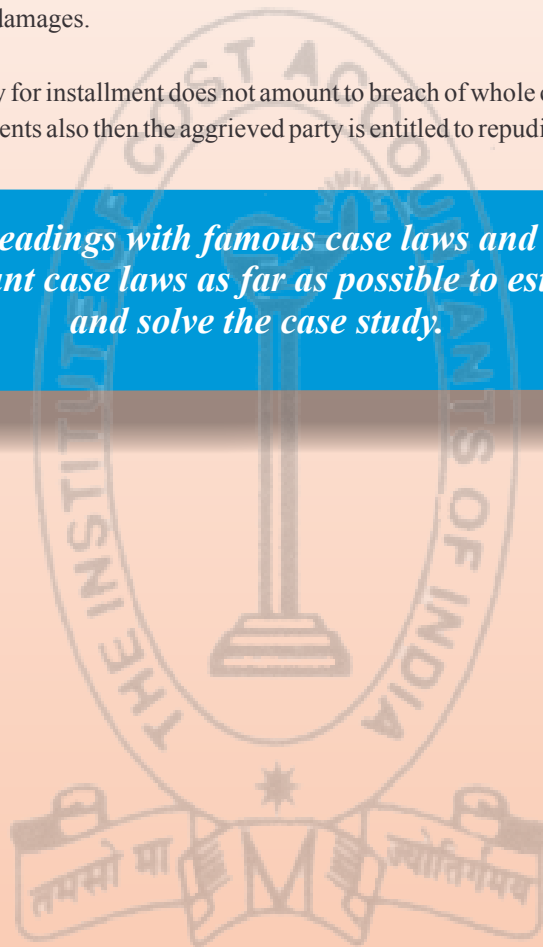
- If nothing in contrary is stated in the agreement for sale, then the expenses of putting the goods into a deliverable state shall be borne by the seller.

- Section 37 holds the rules regarding delivery of wrong quantity of goods. Where the seller deliver goods less than the contracted amount then the buyer has to option either to reject them, or he can accept the same and will be required to pay for

them at the contracted price in that case. In case a larger quantity than the contracted amount is delivered by the seller the buyer may accept the contracted amount and reject the remaining excess quantity of the goods. But if the buyer accepts the whole lot then he is required to pay for them at the contracted price. Moreover it may so happen that goods delivered contains part of other goods along with the contracted quality, then the buyer may accept those goods which are in accordance to the contract and reject the rest or may reject the whole lot.

- If nothing in contrary is stated, then the buyer is not obliged to accept any delivery in installments.
- Where the contract provides for separate payment for installment delivery of goods and if the buyer or the seller commits a breach, then it would depend on the terms and conditions of the contract as to whether such a breach would repudiate the whole contract or whether it would merely give the right to claim for damages.
- Though failure to deliver or failure to pay for installment does not amount to breach of whole contract, but if it is inferred that such breach may be continued in subsequent installments also then the aggrieved party is entitled to repudiate the whole of the contract.

Tip – Supplement your readings with famous case laws and while answering make reference of relevant case laws as far as possible to establish your view and solve the case study.



Group - I

PAPER: 7

DIRECT TAXATION (DTX)

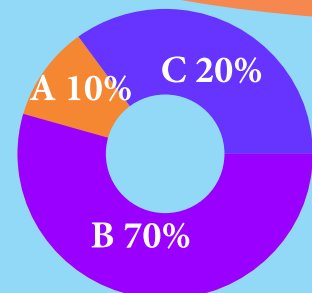
Dr. Sujit Kr. Roy
Asst. Professor,
Goenka College of Commerce,
He can be reached at:
roysujitk@gmail.com



Your Preparation Quick Takes

Syllabus Structure

- A** Income Tax Act Basics **10%**
- B** Heads of Income and Computation of Total Income and Tax Liability **70%**
- C** Administrative Procedures and ICDS **10%**



Behind every successful business decision, there is always a CMA

Learning Objectives:

- Identify the key concepts and functions of direct tax.
- Know how to calculate income tax provision's.
- Describe how uncertain tax positions are accounted for under the rules.
- Gradually you will come to know how to prepare and file tax returns.

ICDS - Income Computation and Disclosure Scheme

Introduction: Section 145 of the Income-tax Act deals with the method of accounting to be followed by an assessee while computing income under the head 'Profits and gains of business or profession' and 'Income from other sources'. Under the provision of this section, the income under these heads may be computed either under cash basis or mercantile system of accounting regularly employed by the assessee. However, with effect from the assessment year 2016-17, this option is no longer available due to the promulgation of Income Computation and Disclosure Schemes (ICDS).

Key Features : The key features of ICDS are :

- ❖ ICDS are to be followed by all assessees, following the mercantile system of accounting.
- ❖ ICDS are applicable to the computation of income chargeable to income-tax under the head "Profit and gains of business or profession" or "Income from other sources".
- ❖ This standard is not applicable for maintenance of books of account. As ICDS are meant for computation of income only, there is no need for maintenance of books of account for this purpose.
- ❖ In the case of conflict between the provisions of the Income-tax Act, 1961 and ICDS, the provisions of the Act shall prevail to that extent.
- ❖ Non-compliance of ICDS will lead to Best Judgment Assessment.

Highlights: The following are the main highlights of ICDS:

ICDS No.	Name of the ICDS	Highlights
ICDS I	Accounting Policies. (Corresponding Accounting Standard AS1)	The fundamental Accounting assumptions as used in this ICDS are: Going concern, consistency and accrual. Any change in an accounting policy which has a material effect shall be disclosed.
ICDS II	Inventories (Corresponding Accounting Standard AS2)	Valuation of inventories shall be valued at cost or net realizable value, whichever is lower. The standard recognizes three formulae, e.g. (i) Specific Identification Method; (ii) First-in-First-Out Method ; and (iii) Weighted Average Cost
ICDS III	Construction Costs (Corresponding Accounting Standard AS7)	It recognizes two types of contracts, i.e. Fixed price contracts and Cost plus contract. Contract revenue shall be recognised when there is reasonable certainty of its ultimate collection. Contract revenue and contract costs associated with the construction contract should be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date.

<p>ICDS IV</p>	<p>Revenue Recognition (Corresponding Accounting Standard AS9)</p>	<p>The following are the revenue recognition criteria:</p> <ul style="list-style-type: none"> (a) Revenue shall be recognised when there is reasonable certainty of its ultimate collection. (b) In a transaction involving the sale of goods, the revenue shall be recognised when the seller of goods has transferred to the buyer the property in the goods for a price or all significant risks and rewards of ownership have been transferred to the buyer and the seller retains no effective control of the goods transferred to a degree usually associated with ownership. (c) In a situation, where transfer of property in goods does not coincide with the transfer of significant risks and rewards of ownership, revenue in such a situation shall be recognised at the time of transfer of significant risks and rewards of ownership to the buyer. (d) Revenue from service transactions shall be recognised by the percentage completion method, in which revenue from service transactions is matched with the service transactions costs incurred in reaching the stage of completion, resulting in the determination of revenue, expenses and profit which can be attributed to the proportion of work completed.
<p>ICDS V</p>	<p>Tangible Fixed Assets (Corresponding Accounting Standard AS910)</p>	<p>The following shall be considered as part of the cost:</p> <ul style="list-style-type: none"> (a) The actual cost of an acquired tangible fixed asset shall comprise its purchase price, import duties and other taxes, excluding those subsequently recoverable, and any directly attributable expenditure on making the asset ready for its intended use. Any trade discounts and rebates shall be deducted in arriving at the actual cost. (b) Administration and other general overhead expenses are to be excluded from the cost of tangible fixed assets if they do not relate to a specific tangible fixed asset. Expenses which are specifically attributable to construction of a project or to the acquisition of a tangible fixed asset or bringing it to its working condition, shall be included as a part of the cost of the project or as a part of the cost of the tangible fixed asset. (c) The expenditure incurred on start-up and commissioning of the project, including the expenditure incurred on test runs and experimental production, shall be capitalised. The expenditure incurred after the plant has begun commercial production, that is, production intended for sale or captive consumption, shall be treated as revenue expenditure
<p>ICDS VI</p>	<p>Effects of Changes in Foreign Exchange Rates. (Corresponding Accounting Standard AS11)</p>	<p>It deals with: (a) treatment of transactions in foreign currencies; (b) translating the financial statements of foreign operations; (c) treatment of foreign currency transactions in the nature of forward exchange contracts.</p>
<p>ICDS VII</p>	<p>Government Grants (Corresponding Accounting Standard AS12)</p>	<p>This standard deal with government grants (also called subsidies, cash incentives, duty drawbacks, waiver, concessions, reimbursements, etc.), but it does not deal with Government assistance other than in the form of Government grants; and Government participation in the ownership of the enterprise. Government grants should not be recognised until there is reasonable assurance that (i) the person shall comply with the conditions attached to them, and (ii) the grants shall be received.</p>

ICDS VIII	Securities (Corresponding Accounting Standard AS13)	This Standard deal with securities held as stock-in- trade. The flowing are the recognition criteria: (a) The actual cost of a security shall comprise of its purchase price and include acquisition charges such as brokerage, fees, tax, duty or cess. (b) Where a security is acquired in exchange for other securities, the fair value of the security so acquired shall be its actual cost. (c) Where a security is acquired in exchange for another asset, the fair value of the security so acquired shall be its actual cost. (d) Where unpaid interest has accrued before the acquisition of an interest-bearing security and is included in the price paid for the security, the subsequent receipt of interest is allocated between pre-acquisition and post-acquisition periods; the pre-acquisition portion of the interest is deducted from the actual cost.
ICDS IX	Borrowing Costs (Corresponding Accounting Standard AS16)	This Standard deals with treatment of borrowing costs. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset. The amount of borrowing costs eligible for capitalisation shall be determined in accordance with this Income Computation and Disclosure Standard. Other borrowing costs shall be recognised in accordance with the provisions of the Act.
ICDS X	Provisions, Contingent Liabilities and Contingent Assets. (Corresponding Accounting Standard AS16)	This Standard deal with provisions, contingent liabilities and contingent assets. A. Recognition of provisions: Provisions shall not be recognized unless the following conditions are met: (a) a person has a present obligation as a result of a past event; (b) it is reasonably certain that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. B. Recognition of Contingent Liabilities: A person shall not recognise a contingent liability. Recognition of contingent assets: A person shall not recognise a contingent asset. Contingent assets are assessed continually and when it becomes reasonably certain that inflow of economic benefit will arise, the asset and related income are recognised in the previous year in which the change occurs.

Self-test

- Income Computation and Disclosure Scheme (ICDS) comes into effect from the assessment year :
 - 2015-16
 - 2014-15
 - 2016-2017
 - 2017-18

Ans. 2016-17

2. ICDS are applicable to the computation of income chargeable to income-tax under the head:
- A. All heads of income
 - B. Profits and gains of business or profession
 - C. Profits and gains of business or profession and Income from other sources
 - D. Capital gains

Ans. (C): Profits and gains of business or profession and Income from other sources

3. The number of ICDS issued so far are :
- A. 10
 - B. 12
 - C. 14
 - D. 8

Ans. (A) 10

4. In the case of conflict between the provisions of the Income-tax Act, 1961 and ICDS, the provisions of shall prevail to that extent.
- A. Income-tax Act
 - B. ICDS
 - C. Opinion of the Assessing Officer
 - D. Appellate Tribunal

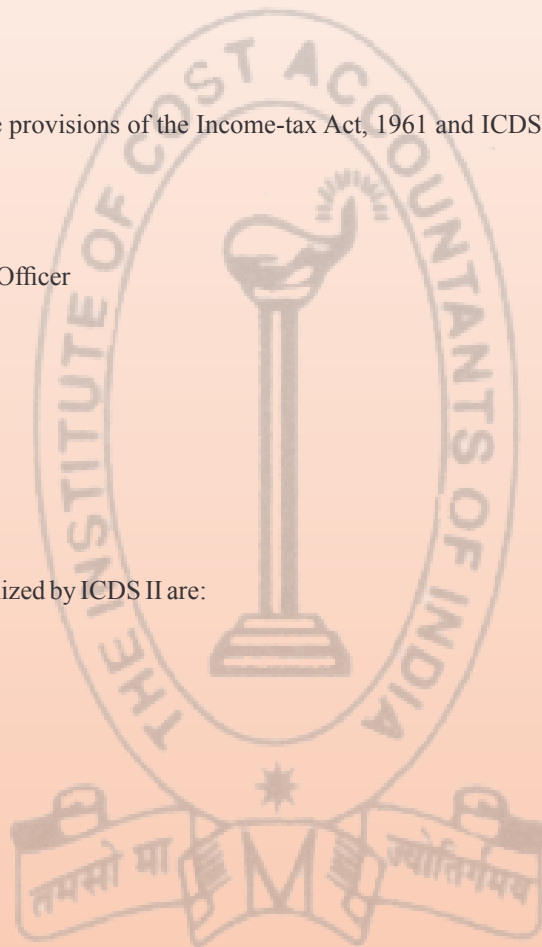
Ans. (A) : Income-tax Act

5. ICDS II relates to:
- A. Accounting policy
 - B. Inventory
 - C. Government Grants
 - D. None of these

Ans. (B) Inventory

6. The number of cost formula recognized by ICDS II are:
- A. Three
 - B. Four
 - C. Two
 - D. None of these

Ans. (A) : Three.



Group - I

PAPER: 8

COST ACCOUNTING (CAC)

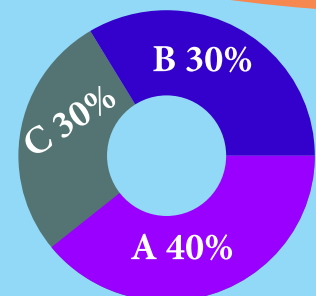
CMA (Dr.) Subir Kr. Datta
Principal,
Kshudiram Bose Central College,
He can be reached at:
duttasubirkumar1958@gmail.com



Your Preparation Quick Takes

Syllabus Structure

- A Introduction to Cost Accounting 40%
- B Methods of Costing 30%
- C Cost Accounting Techniques 30%



Behind every successful business decision, there is always a CMA

Learning Objectives:

- Before taking the examination, it is necessary to read thoroughly the study material first.
- After that select the suitable text book or reference books available in the market for your further study and follow them.
- Next, follow the question papers of previous years and you will be able to get a general idea about the trend or pattern of questions generally set for this type of examination.
- So, if you want to score high marks then along with practical problems you have to answer properly the theoretical part.
- Due to lack of theoretical concepts they cannot score good marks not only in the theoretical part but also in tricky problems.
- Prepare notes on the theoretical part to improve your performance in the examination.

Cost Accounting System

Cost Accounting System is one of the decision support systems within an organization. It provides information to managers to facilitate decision making. The key success factor for any firm is to provide value to the customers at low cost and therefore successful firms are customer driven. Paper-8 in your syllabus, opens up the gateway to the world of Cost Accounting, particularly to those who go in for the study of Commerce – academically as well as professionally. This paper is mainly based on practical problems. Only 25% to 30% questions are related to theoretical part. But the students should give emphasis on theory, as most of them are poor in theoretical part. Again for easy understanding of the topic, a clear conception of theory is very much essential. Always try to start from chapter one and then go to other chapters serially as this will enable you to understand the succeeding chapters in a better way. As it's a professional examination emphasis should be given mainly on testing comprehension, self expression, understanding and managerial ability to apply knowledge in divergent situation. The true success of this examination mainly depends on seriousness of the students, style of preparation, student's perseverance, regularity of efforts and thorough practice.

As an experienced teacher following tips may be suggested for the examinees-

1. A Complete plan (time- bound) for the whole syllabus.
2. Read the Study Notes and know the complete syllabus. You are advised to maintain the sequence in which the chapters have been arranged.
3. Analyze the trends of setting questions in the Exams.
4. Try to prepare yourself based on previous paper settings.
5. Time schedule with specified activities is very much essential for time- management.
6. Write down all the important terms in your own words and read them regularly.
7. Try to answer objective questions as practice.
8. Develop your speed by regular practice and revision.
9. Always try to develop a good habit of reading the question carefully by marking the specific requirements.

Mind that your entire syllabus is divided into six main chapters. In first chapter the basic concept of Cost accounting are discussed, beside its other two branches via, financial accounting and management accounting.

The second chapter described the Elements of cost thoroughly. In the chapter the major cost concepts are discussed and analyzed element wise with sufficient number of examples. You must read the scope

and objectives of different Cost Accounting Standards. It will help to grasp the concept easily.

The third Chapter, Cost Book keeping including integrated accounting system is not at all difficult but a little bit lengthy. In this method, different accounts are to be opened but it is not necessary to give much effort to complete its solution.

The next Chapter Contract Costing is very important for this type of examinations. Contract costing is a system of job costing that is applied to relatively large jobs which take a considerable length of time to complete. Students often experience difficulty in recommending the amount of profit to be taken into account for an incomplete contract. For this the students are advised to follow the guidance of profit on incomplete Contracts based on SSAP-9. Various problems on escalations clause used to be set at this level of examination also.

The next Chapter relates to Operating Costing. Operating Costing is the method of determining the cost of services, like, canteens, transport services, hospital, power house, hotels etc. 'Composite unit' is very important for finding the solution of this type problems.

The Chapter Marginal Costing aims to find out cost volume profit relationships of a product. The technique is used to evaluate alternative plans for use of scarce resources. Students should know the concepts, uses, needs and importance of Marginal Costing carefully. The main thrust should be to follow the wording and determine the desired impact on profitability. For product of different sales mix, contribution per unit of limiting factor should be found out and then different options should be ranked on the basis of contribution per unit of limiting factor. Here, you should also study the effect on profits due to changes in fixed cost or variable cost or sales price of sales mix and again the effect of the above on BEP, M/s etc. More than one problem is generally set from this chapter.

The next chapter Variance Analysis helps the management to fix responsibility for each department and to identify the activities or areas of exceptions. Students are afraid of this important chapter only because of different formula for different analysis. Only careful study and realization of the requirement in the problem can eliminate such difficulties.

The last chapter concerned with Budget and Budgetary Control. Budget in common parlance is understood as a pre- determined plan of action in details. It includes Flexible Budget, Functional Budget and Cash Budget. Theoretical and problem oriented questions may be set from the Chapter. The students are suggested to through the

Group - II

PAPER: 9 PART- i

OPERATIONS MANAGEMENT & STRATEGIC MANAGEMENT (OMSM) - OPERATIONS MANAGEMENT

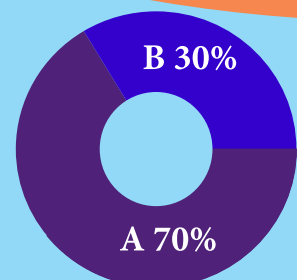
CMA Ankan K Bandyopadhyaya
He can be reached at:
abanerjee8533@gmail.com



Your Preparation Quick Takes

Syllabus Structure

A Operations Management 70%
B Strategic Management 30%



Behind every successful business decision, there is always a CMA

Learning Objectives:

- Operations Management develops skills in problem solving, project management, communication, and managing effectively in team-based work environments.
- Eventually, student's ability for leadership positions in the production and service industries gets increased.
- To solve business processes, it helps to apply knowledge of fundamental concepts of operations management and helps to apply knowledge of approaches to operational performance improvement.

Illustrations on operation Management**Choose Correct Answer:**

Q1.

Configuration of resources combined for the provision of goods or services is known as: a) Productive System; b) Operating System; c) Service System; d) Operations Management;

A1. b).

Q2.

Decisions regarding the facility location and process technology selection are undertaken once: a) An organisation decided to increase its production; b) An organisation decided to introduce new products into the market; c) An organisation determine the need for new or expanded facilities; d) An organisation decided to increase the volume of production;

A2. c)

Q3.

Processing time for 5 number of jobs A, B, C, D, E is 2hr, 7hr, 6hr, 11hr, and 4hr respectively. The SPT schedule is: a) (A,E,C,B,D); b) (D,B,C,E,A); c) (B,D,A,E,C); d) (A,E,C,B,D);

A3. d)

Q4.

Under this technique a given system is copied and the variables and constants associated with it are manipulated in that artificial environment to examine the behavior of the system. The technique is: a) Linear Programming; b) Assignment; c) Simulation; d) Transportation;

A4. c)

Q5.

Large values of this operating characteristics of queuing system are indicative of the need to make adjustment in the capacity. This operating characteristic is: a) Total time in the system; b) Waiting time in the queue; c) Length of system; d) Length of queue;

A5. a)

Q6.

Scheduling depends upon a number of factors. Which one is not a factor? a) The method of production; b) Quantity of Production; c) Quality of raw material d) Routing.

A6. c)

Q7.

Processing Time to weight ratio of five jobs 1,2,3,4,5 is 41,14,20,24,15.31 respectively. Weighted mean flow time is minimized if the sequence is a) 1,2,3,4,5; b) 1,4,3,5,2; c) 2,3,4,5,1; d) 2,5,3,4,1;

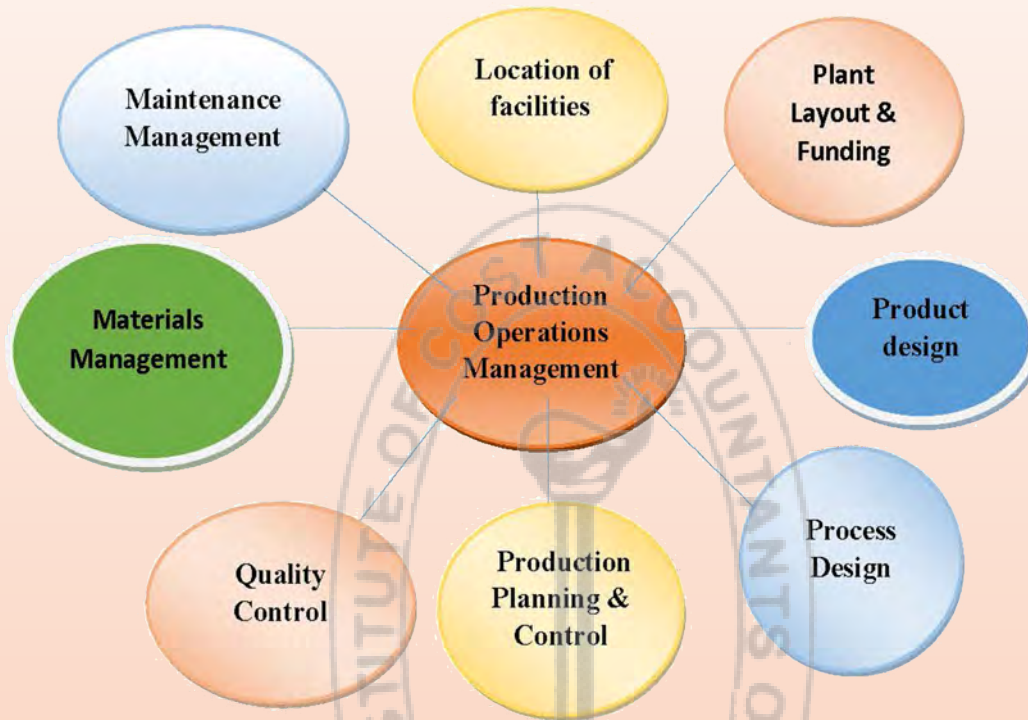
A7. d)

Q8.

The three aspects of Customer Service-an objective of Operations Management are a) Specification, Cost & Timing; b) Specification, Cost & Resources; c) Capital, Cost, Resources; d) Capital, Land & Information;

A8. a) Page 9.

Q9.



The given figure above is showing the scope of Production & Operations Management. Which one is not the scope of production & operations management? a) Process Design; b) Materials Management; c) Quality control; d) Plant Layout & funding;

A9. d)

Q10.

This is a technique companies are employing to gain competitive advantage. This involves drastic measures or break through improvements to improve the performance of a firm. It involves the concept clean slate approach. This is a) Corporate Downsizing; b) Total Quality management; c) Business process reengineering; d) Flexible manufacturing system;

A10. c)

Q11.

Average sales of a company for the last 7 years from year 2001 to 2007 is 90000 units and rate of growth of sales is 2000 units. The trend sales values for year 2008 is a) 98000 units; b) 100000 units; c) 102000 units; d) 104000 units;

A11. a)

Q12.

Capacity planning involves several activities. Which one of the following is not an activity in capacity planning- a) Forecasting the long range future capacity needs; b) Identifying sources of capacity for future needs; c) Assessing the capacity of competitors; d) Evaluating the alternative sources of capacity;

A12. c)

Q13.

For a given production facility, there is an optimum volume of output per year that results in the least average unitcost. This level of output is called: a) The “best operating level” of the plant; b) The “best production level” of the plant; c) The “best level capacity” of the plant; d) The “best matching capacity” of the plant;

A13. a)

Q14.

Say Yes or No on the following queries:

- Does lean production systems use minimal amounts of resources to produce a high volume of high quality goods with some variety?
- Is capacity of a firm, producing different products, expressed as the rate of output?
- Is Level Capacity plan based in “production –to-stock and sell” approaches?
- Are additional machines added to bottleneck work-centre to increase the capacity of the bottleneck work-centre?
- Does the change in output of an existing plant of certain installed capacity not affect the production costs?

A14.

- Yes.
- No.
- Yes.
- Yes.
- No.

Q15.

Say true or false:

- Multiple Shift operation does not influence effective plant capacity.
- Plant and labour efficiency are very much essential to arrive at realistic capacity planning.
- The over capacity of plant is preferred when there is economic capacity size below which it is not economical to operate the plant.
- Selection of the locality or community is a step in choosing a plant location.
- An effective layout can help an organisation to achieve a strategic advantage that supports flexibility even with incurrence with high costs.
- The type of operations carried out in a firm has no role in determining plant layout requirements.
- Location of the plant determines mode of transportation from and into the plant.
- Network graph is a set of operations and activities describing the time orientation of a composite project.
- The problem with Critical Path Method is that the sequence of operations of a project or the earliest possible date for the completion of the project as a whole cannot be ascertained.
- CPM is a deterministic model that does take into account variation in the completion time, so only one number is used for an activity's time estimate.

A15.

- False.
- True.
- True.
- True.
- False.
- False.
- True.
- True.
- False.
- False.

Choose Correct Answer:

Q16.

This system of maintenance locates weak parts in all equipment, provides them regular inspection and minor repairs there by reducing the danger of unanticipated breakdowns. It is a) Breakdown maintenance; b) Preventive Maintenance; c) Routine Maintenance; d) Spare maintenance.

A16. b)

Q17.

Under preventive maintenance (Inspections incomplete/Inspections scheduled) x 100 should be a) equal to 1; b) less than 1; c) less than 10%; d) less than 5%;

A17. c)

Q18.

Say True or False

- a) Preventive maintenance policy is justified only when the average downtime and its cost is equal than the average time taken to carry out breakdown repairs.
- b) A machine is technically obsolete when it becomes unrepairable.
- c) Any function aimed at bringing back or restore an item to its original or acceptable position or to keep it and retain its healthy, workable position is known as Maintenance.
- d) Ensuring specified accuracy to products and time schedule of delivery to customers are one objectives of maintenance.
- e) Spare parts management system schedule forthcoming major maintenance services.
- f) Preventive maintenance is very important as it eliminates breakdown failure 100%.
- g) A spare held in inventory but expected not to use it in the normal life of the plant & equipment is known as buffer spare.

A18.

- a) False.
- b) False.
- c) True.
- d) True.
- e) True.
- f) False.
- g) False.

Q19.

Match the item in Colum I with that in Column II

Column I	Column II
a) Regular Spares	i) Spare parts which although acknowledged to have a long life or a small chance of failure would cause a long shutdown of equipment because of considerable delay to get replacement

b) Rotable Spares	ii) Spare parts required regularly and in substantial number
c) Capital Spares	iii) Spare parts that are held in inventory but is not expected to be used in the normal life of the plant and equipment but if not available when needed would result in significant losses.
d) Insurance Spares	iv) Generally thought of as items of plants or assets that periodically are changed out for repair or overhaul

A19.

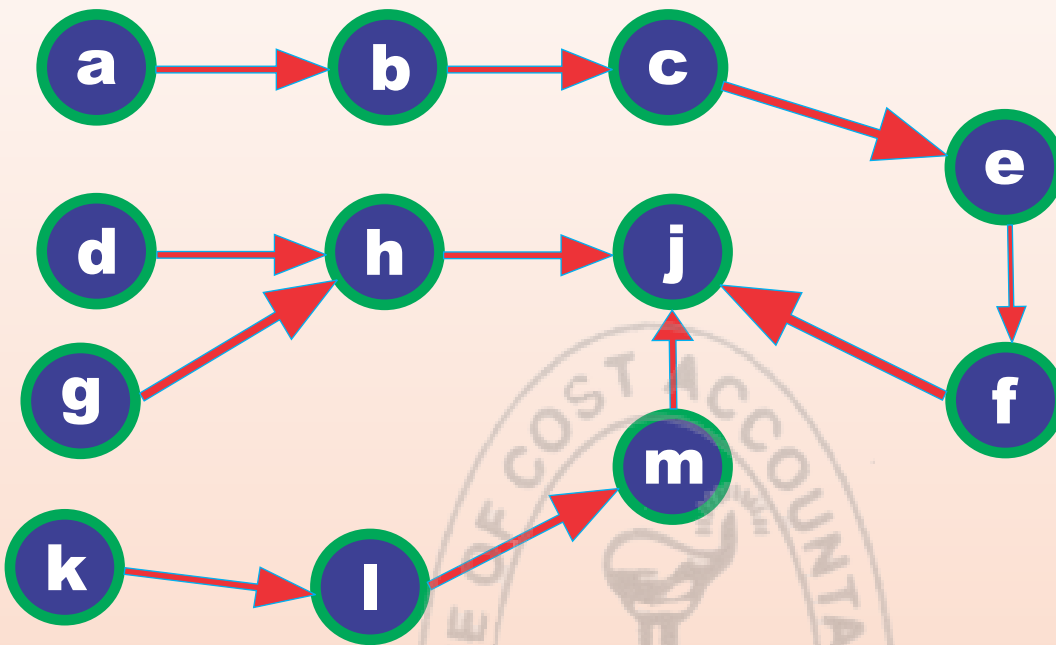
a)/ii), b)/iv), c)/i), d)/iii)

Q20.

The following table shows a list of assembly tasks with sequence restriction and performance times. Construct a precedence diagram for the assembly.

Task	Performance time, Minutes	Task must follow task listed below
a	5	-
b	2	a
c	5	b
d	3	-
e	4	c
f	5	e
g	2	-
h	3	dg
j	5	h,f,m
k	2	-
l	3	k
m	4	l

A20.



Suggestions:

The study notes need to be read thoroughly. Supplementary readings could be made from other resources. One can refer Modern Production/Operations Management by Buffa and Sarin. Attempts here are made to show some examples on objective parts of the paper in Intermediate examination. Questions and solutions are made purely from guide book on the paper 9- Operations Management & Strategic Management written and issued by Institute on Syllabus -16. Students should attempt Numerical parts of the study note on their own instead of memorizing. Additional problems can be tried out from other books. One such book is Quantitative Techniques in Management by ND Vohra.

Best Wishes

Behind every successful business decision, there is always a CMA

Group - II

PAPER: 9 PART- ii

OPERATIONS MANAGEMENT & STRATEGIC MANAGEMENT (OMSM) - STRATEGIC MANAGEMENT

CMA Aditi Dasgupta
Dy. Director, Examination
She can be reached at:
exam.dd1@icmai.in

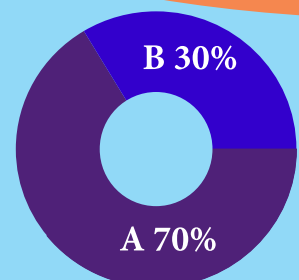


Your Preparation Quick Takes

Syllabus Structure

A Operations Management 70%

B Strategic Management 30%



Behind every successful business decision, there is always a CMA

Learning Objectives:

- The course will follow in general terms the strategy development process from audit to formulation of strategic plans, their implementation and evaluation.
- Students will be introduced to strategic management in a way so that their understanding can be better.
- The ultimate aim of the course is to develop students as future managers who will add value by 'strategically managing' the organisation's resources and capabilities.

Marketing

Production and marketing is the essence of any economy. Organizations perform these two functions for their produced goods or services to satisfy the needs of the identified target market. It is impossible for a company to operate in every market and satisfy every need of the customers in all markets. Hence companies identify their target market (the section of consumers whom they are going to serve). Marketing starts from here i.e. identification of target consumers and market is the germination ground of the huge concept called marketing. It is a broad concept which is driven from consumer needs. 'Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating offering and exchanging products of value with others'. The marketing concept starts with identification of consumer needs and ends with providing a solution to their needs. The host of activities that are included in this span are altogether termed as marketing.

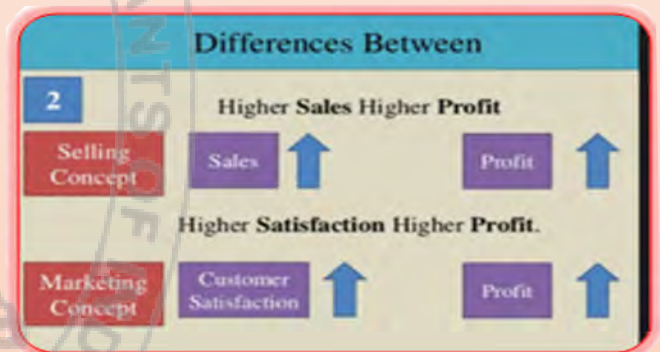
Identification of consumer needs should not be treated alone. Organizations have to find out which needs of the market place can be profitably served by them and then efforts are made to convert the potential buyers to their customers. The activities that revolve around this are -

- ✓ Market analysis
- ✓ Identification of consumer needs
- ✓ Design goods or services to satisfy consumer needs
- ✓ Make an appropriate marketing mix
- ✓ Communicate the information about those goods or services to the prospective buyers (publicity and advertisement)
- ✓ Organize resources
- ✓ Pricing in a cost competitive manner to beat competition and gain maximum market share.
- ✓ Managing supply chain i.e. making the goods and services available at the right time to the right person (distribution & selling).
- ✓ After sales services to ensure continued customer satisfaction.

It is a myth that marketing concept starts once the goods and services are produced and people very often term marketing and selling & advertising as synonyms. Marketing surely includes selling but it is much more than mere selling of goods and services. Marketing starts with consumer needs and analysis of the same and ends with creating and maintaining a long term relationship with customers and suppliers. According to P.F.Drucker “ the main aim

of marketing is to make selling superfluous, to know and understand the customers so well that the product or service fits him and sells itself.”

Selling, is an exchange activity and involves promotion and transfer of goods and services from the producer to the consumers. It is a part of the marketing concept which involves other number of activities like identifying consumer needs, designing and developing the products as per their wants, fixing price in a competitive manner, persuading buyers to buy the same, taking feedbacks from the customers and providing after sales services. Thus selling can be termed as the tip of the marketing iceberg.



The selling concept focuses on seller's need, manufactures the product first and is sales volume oriented. Whereas the marketing concept focuses on customer needs, identifies the customer first and identifies customer satisfaction through profit making as its priority. The marketing concept is long term as satisfied customers means more profit and continued business.

Group - II

PAPER: 10

COST & MANAGEMENT ACCOUNTING AND FINANCIAL MANAGEMENT (CMFM)

Dr. Swapan Sarkar,
Assistant Prof.
Department of Commerce,
University of Calcutta
He can be reached at:
swapansarkar22@gmail.com



Your Preparation Quick Takes

Syllabus Structure

A Cost & Management Accounting 50%

B Financial Management 50%



Behind every successful business decision, there is always a CMA

Learning Objectives:

The paper Cost & Management Accounting and Financial Management (Group II; Paper 10) is a unique blend of theoretical elaborations and practical illustrations. The aim of this paper is to equip the students with a working level knowledge regarding the two disciplines and prepare a ground for a few advanced level papers like Strategic Financial Management (Final Group 3: Paper 14), Strategic Cost Management decision Making (Final Group 3: Paper

15) and Strategic Performance Management and Business Valuation (Final Group 4: Paper 20) in the CMA Final Course. The entire syllabus of the paper is segregated into two segments namely Cost & Management Accounting (Section A: Full Marks 50) and Financial Management (Section B: Full Marks 50). Each of the individual sections has further been divided into five chapters each highlighting a specific aspect of the subject concerned. In this section of e- bulletin we shall have a series of discussion on each of these chapters to provide a meaningful assistance to the students in preparing themselves for the examination at the short end and equip them with sufficient knowledge to deal with real life complications at the long end.

Decision Making Tools

Section A

Decision Making Tool:

▪ **Decision Making under Constraints:**

While making production decision a firm manufacturing multiple products often has to arrive at an optimal production mix with the objective of maximizing the return. However, such a decision, in most of the cases, may be subject certain constraint or limitations. Such limitations can broadly be classified into two categories namely (a) constraints relating to demand of the product and (b) constraint relating to the resources employed.

• **Constraints Relating to Demand of The Product:**

This constraint is often recognized as the maximum demand for the product based on the relative market share of the organization. However, in certain circumstances, especially where the production is not economically viable below a certain lot size, an organization may face additional constraint of minimum production lot.

• **Constraints Relating to the Resources Employed:**

An organization may also face constraint in form of restricted supply of some resources like raw material, labour etc. The respective resources in such a case are known as the limiting factors or the key factors. Production decision in this situation is primarily based on the most appropriate use of resources.

▪ **How to Solve a Problem on Production Planning under Constraint:**

Situation 1: Demand Constraint without any Key Factor/Limiting Factor:

Decision on an optimal production mix is very simple in this situation.

Since there is no resource restriction, the organization must produce and deliver such quantity of each product that the market can accommodate (i.e. to the extent of maximum market demand). However the organization may calculate the ranking of all the products based on contribution p.u of the products (in case they have the same p.u selling price) or on the basis of Profit-Volume ratio (in case they have different selling price per unit) to know their relative profitability.

For Example: X Ltd. is producing three products with following details.

Particulars	X	Y	Z
Selling Price p.u. (Rs.)	10	10	10
Variable Cost p.u (Rs.)	6	5	4
Max. demand (units)	1000	3000	2000

There is no resource constraint.

- a. Which is the most profitable product in the above situation?
- b. Will your answer change if selling prices p.u are Rs. 10, Rs. 9 and Rs. 8 p.u?

Particulars	X	Y	Z
Selling Price p.u. (Rs.)	10	11	12
Variable Cost p.u (Rs.)	6	5	4
Max. demand (units)	1000	3000	2000
R.M per unit (kg)	1	2	3

Here raw material is in restricted supply to the extent of 10000 kg.

- a. Which is the most profitable product in the above situation?
- b. What will be your production plan?

Solution:

Since raw material is in restricted supply, ranking of the products should be based on Contribution per kg of raw material as follows:

Ranking of the Products			
Selling Price p.u. (Rs.)	10	11	12
Variable Cost p.u (Rs.)	6	5	4
Contribution p.u (Rs.)	4	6	8
R.M per unit (kg.)	1	2	3
Contribution per kg of R.M	4	3	2.67
Ranking	I	II	III

Optimal Production Plan

Product as per ranking	R.M per unit (kg)	Max. Demand	Total R.M used (kg.)	Actual production (unit)
X	1	1000	1000	1000
Y	2	3000	6000	3000
Z	3	2000	3000 (Bal.Fig)	1000
			10000	

(a) With Minimum Production Requirement:

Here the organization will need to first allocate the resources required for the minimum production for each item. The balance of the resources after minimum production should be allocated among the products to meet the balance demand of the product based on their relative ranking.

For example: Refer to the previous problem under situation 2(a), with minimum demand of 200, 400 and 100 units.

Solution:

Resources allocated for minimum production

Product	Minimum Demand	R.M per unit	Resources allocated (kg.)
X	200	1	200
Y	400	2	800
Z	100	3	300
			1300

So R.M remaining = 10000-1300 = 8700 kg.

Ranking is similar to situation 2(a).

Optimal Production Plan

Product as per ranking	R.M per unit (kg)	Max. Demand (after min. allotment)	Total R.M used (kg.)	Actual production (unit)
X	1	800	800	800
Y	2	2600	5200	2600
Z	3	1900	2700 (B.F)	900
			8700	

X	1	800	800	800
Y	2	2600	5200	2600
Z	3	1900	2700 (B.F)	900
			8700	

So total production (i.e. minimum + based on ranking) is as follows:

$$X = 200 + 800 = 1000 \text{ units}$$

$$Y = 400 + 2600 = 3000 \text{ units}$$

$$Z = 100 + 900 = 1000 \text{ units}$$

Situation 3: When there is no Demand Constraint but there is one limiting factor:

Here the organization will produce only the top rank product until all the available quantity of the limiting resource is exhausted. It will not produce the other products.

Situation 4: When there is Demand Constraint as well as more than one limiting factors.

In this situation, the problem can hardly be solved normally as the two limiting factors may act against each other while determining the production plan. Hence the final decision can be obtained only after a lot of trial and error or alternatively by applying some programming. In such a case a Linear Programming Technique (i.e. LPP technique) may be of immense use, since, in most of the case, the relation between the inputs and output is linear. Thereafter the optimal solution i.e. the optimal production plan can be obtained by solving the LPP under simplex method.

Consider the following problem.

M Ltd is producing three products X, Y and Z. the following information is available in this respect.

Particulars	X	Y	Z
Selling Price p.u. (Rs.)	12	11	10
Variable Cost p.u (Rs.)	6	5	9
Max. demand (units)	1000	3000	2000
R.M per unit (kg)	1	2	3
Labour Hrs. p.u (Hrs.)	2	3	4

Both the raw material and labour are in short supply. The maximum raw material available is 10000 kg whereas labour available only for 5000 hours.

Determine the optimal production mix.

Solution:

In this situation both raw material as well as labour is the limiting factors. So we can first formulate the above problem as an LPP and then apply Simplex Method to solve the same.

products respectively.

Let Z be the total contribution.

Then $Z = 6x + 6y + 6z$

So the objective function is

Max $Z = 6x + 6y + 6z$

Raw Material Constraint

$X + 2y + 3z \leq 10000$

Labour Hours Constraint

$2x + 3y + 4z \leq 5000$

Demand constraint

$x \leq 1000, y \leq 3000, z \leq 2000$

So the LPP is as follows:

Max $Z = 6x + 6y + 6z$

Subject to:

$X + 2y + 3z \leq 10000$

$2x + 3y + 4z \leq 5000$

$x \leq 1000, y \leq 3000, z \leq 2000$

and $x, y, z \geq 0$

Now Simplex method can be applied to solve the problem.



Group - II

PAPER: 11

INDIRECT TAXATION (ITX)

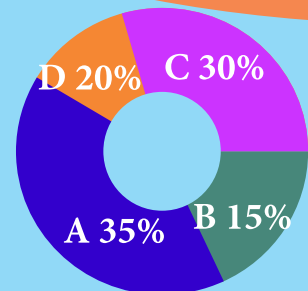
Ms. Poushali Das
Asstt. Prof.,
Scottish Church College
She can be reached at:
das.poushali16@gmail.com



Your Preparation Quick Takes

Syllabus Structure

- A Canons of Taxation - Indirect Tax & Central Excise **35%**
- B Customs Law **15%**
- C Service Tax **30%**
- D Central Sales Tax and VAT **20%**



Behind every successful business decision, there is always a CMA

Learning objectives:

- The concept of tax and the objective for its levy
- The concept of direct and indirect tax and the differences between the two
- The basic features of indirect taxes
- What are the principal indirect taxes
- As to how the indirect taxes are administered in the country

Illustrations on Service Tax

Illustrations of some service tax application based problem

1. "Not all services provided by an employee to the employers are outside the ambit of service." Explain the statement with reference to service tax law.

All services provided by the employee to employer in discharge of his duties as employee are outside the ambit of service liable to service tax. If service is provided not in the capacity as an employee, the same may be liable to service tax provided such service is not in the negative list or in the exemption notification.

1. The company has approached you with the following views:-
- i) Free samples given to the doctors cannot be sold by anyone, as per the Drug Control Act, hence they are not marketable. As a logical corollary excise duty is not leviable.
 - ii) If this has to be valued the company makes no profit and hence should be valued at cost.
Advise the company suitably, as regards the value to be adopted for the samples.
 - a) Even if the samples cannot be sold by the doctors, excise duty is leviable.
 - b) Excise duty in such a case is payable on the basis of assessable value which is termed as '*ad valorem duty*'. If the manufacturer has cleared similar drugs on March 12, 2015 from its factory, the transaction value of that transaction will be taken as assessable value as per section 4(1)(a) if the following conditions are fulfilled:
 - The goods should be sold at the time and place of removal.
 - Buyer and the assessee should not be related.
 - Price should be the sole consideration for sale.

invoice is issued on May 16, 2014. He gets balance of amount Rs. 1,50,000 on June 14, 2014. Determine the Point of taxation in this case. Would the answer be different if the above service becomes taxable for the first time from June 1, 2014?

As per Rule 3 of the Point of Taxation Rules, point of taxation shall be determined as follows:-

- i) If the invoice is issued within the statutory limits (i.e. within 30 days from the completion of service in the given case), point of taxation is the date of issue of the invoice or the date of payment, whichever is earlier.
- ii) If the invoice is not issued within the statutory time limit, point of taxation is either the date of payment or the date of completion of the service, whichever is earlier.

If the service is taxed for the first time with effect from June 1, 2014, Rule 5 will be applicable for determining the point of taxation. The provisions are stated below.

- a) If invoice has been issued and payment has been received before such service became taxable- service is exempted from service tax.
- b) If payment has been received before the service becoming taxable and invoice has been issued within 14 days of the date when the service is taxed for the first time- service is exempted from service tax.

3. A, who entered into a roll-over contract, approached ABC Bank Ltd. for selling US\$ 46,000 at the rate of Rs. 60 per US dollar. RBI reference rate at that time was Rs. 60.50 per US dollar. However, the rate of exchange declared by CBEC for the day is Rs. 61.50 per US dollar. Calculate the value of taxable service with reference to rule 2B of the Service Tax (Determination Value) Rules, 2006 and service tax payable thereon.

According to the rule 2B, if a currency is exchanged from or on to Indian Rupees, the taxable value of money changing services shall be equal to the difference in the

buying and selling rate (as the case may be) and the RBI reference rate for that currency at that time, multiplied by the total units of the currency.

4. ABC (Farm Horses) is engaged in providing services for the last five years. The value of taxable services provided by ABC during the preceding financial year was Rs. 45lakh. It has received the following sums (exclusive of service tax) in the month of January. Calculate the value of taxable services and tax payable thereon for the month Jan 2015:

Supply of Labour- 55,000
 Testing of soil of farm land- 1,65,000
 Value of services provided for free of cost- 50,500
 Processing of raw material to make it fit for production and this process is not liable to excise duty- 6,35,000
 advance received for such services to be provided in May 2015- 2,13,000

Calculation for the value of taxable services and tax payable thereon for the month of January 2015:-

Supply of farm labour (negative list service, hence exempt from service tax)	NIL
Testing of soil of farm land (negative list service, hence exempt from service tax)	NIL
Services provided free of cost (not taxable)	NIL
Process of raw material	6,35,000
Advance received for processing of raw material	<u>2,13,000</u>
Value of taxable service	<u>8,48,000</u>
Service Tax (12.36% of Rs. 8,48,000)	1,04,813

Notes:

- i) Any process on which excise duty is leviable is covered in the negative list and hence exempt from service tax. As the given process is not liable to excise duty, it is chargeable to service tax.
- ii) Advance received for services provided in future is taxable on receipt basis.

Group - II

PAPER: 12

COMPANY ACCOUNTS & AUDIT (CAA)

Dr. Malay Kr. Nayak
Associate Prof., Dept. Of
Commerce,
M.B.B.College, Tripura
He can be reached at:
malay_nayak@ymail.com



Your Preparation Quick Takes

Syllabus Structure

A Accounts of Joint Stock Companies **50%**

B Auditing **50%**



Behind every successful business decision, there is always a CMA

Learning Objectives:

- Apply appropriate judgment derived from knowledge of accounting theory, to financial analysis and decision making
- Effectively define the needs of the various users of accounting data and demonstrate the ability to communicate such data effectively, as well as the ability to provide knowledgeable recommendations.
- Prepare financial statements in accordance with Generally Accepted Accounting Principles.
- Demonstrate an understanding of current auditing standards and acceptable practices, as well as the impact of audit risk on the engagement.

CAA - How to prepare for examination

In the preparation of paper 12- 'company accounts and audit', students are to undergo two subjects in one paper-account and audit. As audit part is less risky though not high scoring, students are to get preparation of audit part for providing safety and security of examination. But before going to final preparation students are to keep watch in the sphere of weightage in syllabus. In the arena of auditing, auditing concepts carries 20% and provision relating under companies Act Carries 30%.

In concept part students may expect short type questions particularly from the area of nature, scope, significance of audit .students may expect one full question from the block of audit engagement, audit program, workings paper, audit note book, audit evidence and audit report. Students may go on practicing AUDIT PROGRAM for different audit task.

In the last part of auditing concepts students are to get adherence of internal check, internal control, and internal audit. Here also students are to go on practicing mechanism of internal check, internal control for different specific industries. Students are to correlate internal check, internal control and internal audit. Relation between them draws attractions of the question setters. Up to this, preparation is very easy task .You may devote maximum two days for the entire concepts region.

You are to move forward towards provisions relating audit under companies Act. Mind that it carries 30% weightage. You may very reasonably expect from the block of appointment, reappointment, remuneration, removal, powers and duties of auditor .As all relates to companies Act and provisions, students may easily score in very objective manner.

Very comfortably students may get preparation of cost audit and secretarial audit. Students are to go on practicing writing of audit report for hypothetical companies. As there are different specific provisions of divisible profits and declaration of dividend under companies Act students may expect one question from this area. Reliance of statutory auditor upon internal audit draws many questions from the past. Students are to get preparation of this area. Various short questions may come from auditing and assurance standards.

It is very easy task to get preparation of audit of different organisations like educational institute, hospital, cooperative society, bank, trust, municipality and panchayats. Students are to

practice in writing of such audit preparation and steps.

One suggestion may be offer that you may answer auditing part in the first hour of examination, it gives you pleasure of cushioning examination.

In the second phase of preparation, we come to the companies accounts. Here accounting of shares and debentures, presentation of Financial Statements and cash flow statement carries 25 % weightage. It is hoped that most of the students are very well versed in accounting of shares and debentures. Now they are to more stress on pro-rata allotment. Presentation of Financial Statements-profit and loss statement and Balance sheet are to prepare as per schedule specified in companies Act. They are to prepare in columnar form. Knowledge of form only gives you comfort for preparation of such Financial statements. Cash Flow Statement is to prepare as per Accounting Standard .You may expect one question from Cash Flow Statement.

The second part is accounts of banking, electricity and insurance companies and accounting standards (only 7) carries 25 % weightage . In case of banking, electricity and insurance companies formats are statute driven . Everything is endorsed under related Acts and rules. Students are to go through the forms. Accounting data are to put as per formats and serve the purpose. Before going to examination hall students are to keep eyes into such formats. These sums are not at all hard. Students may expect at least one question from these.

The second sphere is accounting standard- Only 7 accounting standards. Out of these AS-17 for segment reporting needs practice. Students are to go on practicing for depicting segmental results considering the different bases of segment. AS-19 for Accounting for leases needs conceptual development as well as practices both for operating lease and financial lease.

One last minute suggestion that is students are to consult the MCQs as listed in ends of every chapter of study materials. You may expect similar questions in final institute examination. You go on practicing accounting problems from study materials as well as good text books. Don't depend upon market note and suggestions. Institute is with you. You may consult institute website and directorate of studies for any help. As this is new syllabus you should have reasonably expectation of scoring good marks. Keep faith on yourself. You will surely get success.

Notifications

Sub: Clarification for June 2017 term of Examination

SL. NO	Issue	Applicable for	Reference Papers	Facilities Provided
1	Companies (Cost Records And Audit) Rules, 2014 as amended till 14th July 2016	Intermediate and Final under syllabus 2012 and 2016	Syllabus 2012 Paper 10- Cost & Management Accountancy (Inter) Paper 19 - Cost and Management Audit (Final) Syllabus 2016 Paper 12- Company Accounts & Audit (Inter), Paper 19- Cost & Management Audit (Final)	For Syllabus 2012, soft copy uploaded in website under student section. For syllabus 2016 included in study material.
2	CAS 1-24 (as per version till December 2016)	Intermediate and Final under syllabus 2012 and 2016	Syllabus 2012- Paper 8- Cost Accounting and Financial Management (Inter) Paper 19 - Cost and Management Audit (Final) Syllabus 2016- Paper 8- Cost Accounting (Inter) Paper 19- Cost & Management Audit (Final)	For Syllabus 2012 soft copy uploaded in website under student section. For syllabus 2016 included in study material.
3	Companies Act 2013	Intermediate and Final under syllabus 2012 and 2016	Syllabus 2012- Paper 6 -Laws, Ethics and Governance (Inter) Paper 12- Company Accounts and Audit (Inter) Paper 13- Corporate Laws & Compliance (Final) Paper 18- Corporate Financial Reporting (Final) Paper 19- Cost & Management Audit (Final) Syllabus 2016- Paper 6- Laws & Ethics (Inter), Paper 12- Company Accounts & Audit (Inter), Paper-13 Corporate Laws & Compliance (Final), Paper 17- Corporate Financial Reporting (Final), Paper 19- Cost & Management Audit (Final)	List of notified sections applicable for June 2017 examination will be uploaded shortly.

Sub: Clarification for June 2017 term of Examination

SL. NO	Issue	Applicable for	Reference Papers	Facilities Provided
4	CARO-Companies (Auditor Report) Order 2016	Intermediate and Final	Syllabus 2012 Paper 12- Company Accounts & Audit (Inter) Paper 13- Corporate Laws & Compliance (Final) Syllabus 2016 Paper 13 -Corporate Laws & Compliance (Final)	For Syllabus 2012, soft copy will be uploaded shortly. For Syllabus 2016, included in study material
5	Finance Act 2016	Intermediate and Final	Syllabus 2012- Paper 7- Direct Taxation (Inter), Paper 11- Indirect Taxation (Inter) Paper 16- Tax Management & Practice. Syllabus 2016 Paper 7- Direct Taxation (Inter) Paper 11- Indirect Taxation (Inter), Paper 16- Direct Tax Laws and International Taxation (Final), Paper 18-Indirect Tax Laws & Practice (Final)	For Syllabus 2012 amendments will be uploaded in website shortly material.
6	GST	Not Applicable		
7	IND AS	Not Applicable		

All concerned to make appropriate advisory and facilitate the student.

SUBMISSIONS

Dear Students,

We are very much delighted to receive responses from all of you; for whom our effort is! We have noted your queries and your requests will definitely be carried out. Further, requesting you to go through the current edition of the bulletin. All the areas will be covered gradually. Expecting your responses further to serve you better as we believe that there is no end of excellence! One of the mails received is acknowledged below.

This E-bulletin is very much helpful for the revision purpose. Such bulletins should be uploaded from time to time. Hoping for more such bulletins.

Thank you
swarna chowkhani
Mail id:swarnachowkhani@gmail.com

Sir,
I want to say thanks to all my honourable mentors who have given me such a priceless Researches. These e-bulletins are very helpful and makes me feel as a part of yours. It ignites my passion to become a successful Cost Accountant like you.
Keep sending me these e-bulletins and other related matters.

Thank You,
Tushar Mukherjee
Mail id: tushmukz@gmail.com

Updation of E-Mail Address/Mobile:

Students are advised to update their E-Mail id and Mobile Numbers timely so that important communications are not missed as the same are sent through bulk mail/SMS nowadays. Student may update their E-Mail id/ Mobile Number instantly after logging into their account at www.icmai.in at request option.

Please put your opinions so that we can make your e-bulletin everything that you want it to be.

Send your Feedback to:
e-mail: studies.ebulletin@icmai.in
website: <http://www.icmai.in>

All rights reserved. No part of this Bulletin may be translated or copied in any form or by any means without the prior written permission of the Institute of Cost Accountants of India.

Behind every successful business decision, there is always a CMA

PRACTICAL ADVICE

ABOUT YOUR STUDIES - INTERMEDIATE COURSE

Practical support, information and advice to help you



**ASSESS
YOURSELF**

1

**READ
THE TIPS**

5

**APPEAR
FOR
EXAMINATION**

2

4

**READ
STUDY
NOTES & MTPs**

3

**SOLVE EXERCISES
GIVEN IN
STUDY NOTES**

Behind every successful business decision, there is always a CMA



Examination TIME TABLE



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
 (Statutory body under an Act of Parliament)

Day & Date	Intermediate Examination Syllabus-2012 Time 2.00 p.m. to 5.00 p.m.	Intermediate Examination Syllabus-2016 Time 2.00 p.m. to 5.00 p.m.
11th June, 2017 Sunday	Financial Accounting	Financial Accounting
12th June, 2017 Monday	Laws, Ethics and Governance	Laws & Ethics
13th June, 2017 Tuesday	Direct Taxation	Direct Taxation
14th June, 2017 Wednesday	Cost Accounting & Financial Management	Cost Accounting
15th June, 2017 Thursday	Operation Management and Information Systems	Operations Management & Strategic Management
16th June, 2017 Friday	Cost & Management Accountancy	Cost & Management Accounting and Financial Management
17th June, 2017 Saturday	Indirect Taxation	Indirect Taxation
18th June, 2017 Sunday	Company Accounts and Audit	Company Accounts & Audit

Message from the Directorate of Studies

Dear Students,

“Success is the sum of small efforts, repeated day in and day out.” ~ Robert Collier

For the last couple of months we are trying to help in your studies by the publication of this soft version of bulletin. With the responses received from you we are really pleased and your enjoyment in reading has helped us to proceed further.

Students wishing to progress should definitely review the range of services provided by the Directorate of Studies. Information on appropriate services offered can be obtained from our website. Students' under the New Syllabus-2016 is going to appear their examination for the first time. In each subject, you have to figure out what's important and keep the main points. We do hope that 'Tips' given in papers will help them to swim across this national level professional examination and they will reach to their target.

The journey of a thousand miles starts with a single step. We are not telling you it is going to be easy — what we want to tell you it's going to be worth it. We believe that- 'Luck is for the Lazy; Success is definitely for those who work hard'. You only fail when you stop trying.

Essentials to follow:

- ❖ Stay positive,
- ❖ Work hard,
- ❖ Examine the questions carefully,
- ❖ Eliminate wrong answers,
- ❖ Use the allotted time fruitfully,
- ❖ See the positive possibilities,
- ❖ Be confident,
- ❖ Don't let the stress of your exams to restrict you,
- ❖ Be relaxed and calm down.

Students at this level study highly developed and complex levels of knowledge enabling the development of in-depth and original responses to complicated and unpredictable problems and situations. A qualification at this level is appropriate for people working as knowledge based professionals or in professional management positions. We believe that Students at this level of study should display a mastery of high level knowledge and skills and have professional based skills.

Nothing can stop you from doing your best; nothing can pull you down – as long as you start studying hard and stop fooling around. You have done it before and you can do it now. Exams don't test your knowledge as much as they test your state of mind; rather exams are your opportunity at proving your worth to everyone around you. Grab it and do your best, don't let it pass through. Follow your heart but take your brain with you.

“Make the most of yourself, for that is all there is for you.” ~ Ralph Waldo Emerson

Believe in yourself and be successful.....

Disclaimer:

Although due care and diligence have been taken in preparation and uploading this E-bulletin, the Institute shall not be responsible for any loss or damage, resulting from any action taken on the basis of the contents of this E-bulletin.

Cultivating Confidence

CMA (Dr.) Sreehari Chava
Cost & Management Consultant,
Nagpur, Maharashtra,
He can be reached at:
sreeharichava@yahoo.co.in

01.00 Confidence

Confidence is the term being used to describe how one feels about one's own capabilities. Confidence includes knowing what to do to steer out of difficult situations. Confidence, therefore, is also about problem solving and decision making.

Confidence is not something that can be learned like a set of rules. Rather confidence is a state of mind. Confidence comes from feelings of well-being, acceptance of your body and mind and belief in your own ability, skills and experience. To put it simply, confidence is the booster that comes from within that emboldens you to feel, 'Yes, I Can do'.

Confidence is the booster that comes from within that emboldens you to feel, 'Yes, I Can do'.

From the quietly confident doctor whose advice we rely on, to the charismatic confidence of an inspiring speaker, self-confident people have qualities that everyone admires. Self-confidence is extremely important in almost every aspect of our lives. Confident people inspire confidence in others: their audience, their peers, their bosses, their customers, and their friends. And gaining the confidence of others is one of the key means by which a self-confident person finds success.

People who lack self-confidence can find it difficult to become successful. Low-confidence can be a result of many factors including: fear of the unknown, criticism, being unhappy with self-esteem, feeling unprepared, poor time-management, lack of knowledge and previous failures, and so on.

The four key factors, which we refer here as P-Factors, that can cultivate your confidence and enhance your success rate are: Positive Thinking, Perpetual Learning, Planning & Preparation and Pride Personality.

02.00 Positive Thinking

Positive thinking can be a very powerful way of improving confidence. The visual fact is that positive thinking fosters positive attitude thereby boosting self-confidence. The basic rules of positive thinking are to highlight your strengths and successes and learn from your weaknesses and mistakes. This is a lot easier than it sounds as we often dwell on things that we are not happy with from our past, making them into bigger issues than they need to be. These negative thoughts can be very damaging to self-confidence and your ability to achieve goals.

The following five tips are useful towards inculcating positive thinking.

- (i) **Develop Strengths & Overcome Weaknesses.** Analyse your strengths and weaknesses. Write a list of things that you are good at and things that you know need improvement. Discuss your list with friends and family. Inevitably they will be able to add to the list. Develop and celebrate your strengths and find ways to overcome and manage your weaknesses.
- (ii) **Treat mistakes as learning opportunities.** We all make mistakes. Don't think of your mistakes as negatives; rather venture to uncover the learning opportunity hidden behind a mistake; and correct yourself.
- (iii) **Enjoy the Achievements.** When you receive a compliment from somebody else, thank them and ask for more details; what exactly did they like? Recognise your own achievements and enjoy them by rewarding yourself and telling friends and family about them.



- (iv) **Criticism is an opinion.** Everybody sees the world differently from their own perspective. What works for one person may not work for another. Criticism is just the opinion of somebody else. Be assertive when receiving criticism; don't reply in a defensive way or let criticism lower your self-esteem. Listen to the criticism and make sure that you understand what is being said. Use criticism as a way to learn and improve.
- (v) **Be Constructive.** Try to stay generally cheerful and have a positive outlook on life. Only complain or criticise when necessary and when you are to do so, do so in a constructive way. Remember to offer compliments to others and congratulate them on their successes.

03.00 Perpetual Learning

Learning is perpetual. Learning helps us to feel more confident about our ability to handle situations, roles and tasks. Knowing what to expect and how and why things are done will add to your awareness and generally make you feel more prepared and ultimately more confident. By doing something we have learned a lot about, we put the theory to practice which develops confidence and adds to the learning and comprehension.

In the workplace, training may be provided for staff to teach them how to manage or work with new systems and procedures. During a period of organisational change this is particularly important as many people will naturally resist changes. However, if those affected by the changes are given adequate information and training then such resistances can usually be minimised

Speaking to and being around people who are confident will usually help you to feel more confident. Learn from others who are successful in fulfilling the tasks and goals that you wish to achieve - let their confidence rub off on you. As you become more confident then offer help and advice, become a role-model for somebody less confident. So, be a perpetual learner and boost up your confidence.

04.00 Planning and Preparation

People often feel less confident about new or potentially difficult situations. An important factor in developing confidence is planning and preparing for the unknown.

Planning refers to the process of thinking of a sequence of action steps for the purpose of achieving some specific goal. A plan is like a map. When following a plan, a person can see how much they have progressed towards their project goal and how far they are away from their destination. Preparation refers to the act of getting ready towards implementing the plan.

For example, if you are applying for a new job, you would be wise to prepare for the interview. Plan what you would want to say in the interview and think about some of the questions that you may be asked. Practise your answers with friends or colleagues and elicit their feedback. There are many other examples of planning for an interview, perhaps you should visit the hairdresser before you go. How are you going to travel to the interview, how long will the journey take? What should you wear?

Take control of unknown situations the best you can, break down the tasks into smaller sub-tasks and plan as much as you can.

05.00 Pride Personality

It is your personality that makes you great, Your personality is reflected through your confidence. Think about the things that make your personality great. It can be your sense of humour, your sense of compassion, your listening skills, or your ability to cope with stress. You may not think that there's anything about your personality worth admiring, but if you dig deep, you'll realize that you have plenty of admirable qualities. Be aware of them and concentrate on them.

*Learning gives Creativity
Creativity leads to Thinking
Thinking provides Knowledge
Knowledge makes you Great*

Dr. APJ Abdul Kalam



Everyone is good at something, so discover the things at which you excel, and then focus on your **talents**. Give yourself permission to take pride in them. **Express yourself**, whether it's through art, **music**, writing, or dance. Find something you enjoy and cultivate a talent to go with your interest.

Adding a variety of interests or hobbies to your life will not only make you more confident, but it will also increase your chances of meeting compatible friends as well. When you're following your passion, not only will it have a therapeutic effect, but you'll feel unique and accomplished, all of which can help build your self-confidence.

The beguine clue is to Identify your talents and focus on them to reach a level of excellence. Believe in yourself and be Proud of your Personality!

07.00 The Magic of Self Confidence

Here follows an interesting story of a business executive who was deep in debt and could see no way out. Creditors were closing in on him. Suppliers were demanding payment. He sat on a park bench, head in hands, wondering if anything could save his company from bankruptcy.

Suddenly an old man appeared before him. "I can see that something is troubling you," he said. After listening to the executive's woes, the old man said, "I believe I can help you." He asked the man his name, wrote out a check, and pushed it into his hand saying, "Take this money. Meet me here exactly one year from today, and you can pay me back at that time." Then he turned and disappeared as quickly as he had come.

The business executive saw in his hand a check for \$500,000, signed by John D. Rockefeller, then one of the richest men in the world! "I can erase my money worries in an instant!" he realized. But instead, the executive decided to put the uncashed check in his safe. Just knowing it was there might give him the strength to work out a way to save his business, he thought. With renewed optimism, he negotiated better deals and extended terms of payment. He closed several big sales. Within a few months, he was out of debt and making money once again.

Exactly one year later, he returned to the park with the uncashed check. At the agreed-upon time, the old man appeared. But just as the executive was about to hand back the check and share his success story, a nurse came running up and grabbed the old man. "I'm so glad I caught him!" she cried. "I hope he hasn't been bothering you. He's always escaping from the rest home and telling people he's John D. Rockefeller." And she led the old man away by the arm.

The astonished executive just stood there, stunned. All year long he'd been wheeling and dealing, buying and selling, convinced he had half a million dollars behind him. Suddenly, he realized that it wasn't the money, real or imagined, that had turned his life around. It was his newfound self-confidence that gave him the power to achieve anything he went after.

08.00 Quick Take

Self Confidence paves the way to the path of success. Uncover & Unleash the potential of "Aham Brahma"!

Resources:

Building Confidence, www.skillsyouneed.com, 29.03.2017

Building Self Confidence, www.mindtools.com, 30.03.2017

A Short Story on Self Confidence, www.academictips.org,
14.04.2017



www.icmai.in

FOLLOW US ON



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

Headquarters: CMA Bhawan, 12 Sudder Street, Kolkata - 700 016

Phone: +91-33-2252-1031/34/35/1602/1492/1619/7373/7143

Delhi office: CMA Bhawan, 3 Institutional Area, Lodhi Road, New Delhi - 110 003

Phone: +91-11-2462-2156/2157/2158

Behind every successful business decision, there is always a CMA